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Federal Communications Commission
Office of the Secretary

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	CC 95-84
TCA MANAGEMENT CO.; TELESERVICE CORPORATION OF AMERICA; and TCA CABLE OF AMARILLO, INC.,	DOCKET FILE COPY ORIGINAL
Complainants,	
v.	File No. 90-002
SOUTHWESTERN PUBLIC SERVICE COMPANY,	
Respondent.	

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

TO: The Common Carrier Bureau

REPLY

Complainants TCA Management Co., Teleservice Corporation of America; and TCA Cable of Amarillo, Inc., ("Complainants") hereby Reply to the Response filed by Southwestern Public Service Company.

I. Procedural History

1. The Complaint in this case was filed October 16, 1990.

2. Pursuant to an extension of time granted November 14, 1990, Respondent filed its Response December 6, 1990.

II. Issues Presented

1. The issues presented in this case are:

A. Whether pole related investment may, on this record, include investment in Account 360 right-of-way; and if so, by what method of calculation?

B. Whether the maintenance component of the carrying charge may include Accounts 580, 583, 588, 590, and 369 (sub acct)?

C. Whether more of the 40" separation space between electric and cable lines should be assigned to cable than is presently assigned by the Commission's formula?

D. Whether there is merit to various objections to service, information presented, or absence of evidentiary hearing?

2. Complainants and Respondent are in agreement on the calculation of the carrying charge for depreciation, taxes, administration and rate of return.

III. Discussion

A. Net Pole Investment -- Account 360

3. Respondent contends that gross $1,395,724 (or 60%) of the investment in Account 360 (land and land rights) should be

chargeable to cable. Respondent submits no evidence concerning the relevance of this investment to chargeable pole plant, or the basis for allocating that investment to poles. Respondent cites Texas Power & Light Co. v. FCC, 784 F.2d 1265 (5th Cir. 1986) for authority. Texas Power was decided on stipulations that the rights of way at issue were chargeable. 784 F.2d at 1268. In this case, there is no stipulation or evidence of the relevance of this investment to Respondent's pole plant.

4. Even if one reads Texas Power to command the inclusion of right-of-way costs, Respondent has improperly accounted for them. The Texas Power court ruled that if right-of-way investment was chargeable, it had to be allocated across the distribution plant for which it is purchased.

> The cable company benefits from the investment that Texas Power makes in these rights-of-way, but only to the extent the investment pertains to erecting and maintaining poles. A portion of Texas Power's investment in private right-of-way undoubtably [sic] includes payment for the right to string and maintain its own power lines, and this investment does not inure to the benefit of the cable company. Therefore, if, as the Commission permitted, Texas Power seeks hereafter to obtain compensation for the use of its poles, it should be allowed to recover a proportionate share of Texas Power's investment in rights-of-way attributable to "land rights" (that is, the right to erect and maintain poles) as opposed to "air rights," the right to string and maintain lines between those poles. The portion of the rights-of-way investment found to be attributable to the actual poles may then be used in computing the capital costs of the poles, and hence the resulting pole attachment rate.

784 F.2d at 1273.

5. To properly account for right-of-way investment under Texas Power, one should allocate that investment to the poles and to the aerial rights to which it relates. Right-of-way investment is made to accommodate the physical placement of both poles and distribution lines and equipment. The proper calculation of chargeable right-of-way must reflect the limited physical use of right-of-way by the poles. The investment attributable to physical property located in easements is proportional to the use made of those easements; it is not proportional to the cost of the property installed in those easements.

6. Consider a pole which occupies 1 foot of ground out of a 100' span length, with the distribution lines which occupy the remaining 98' as they span to the next pole. (See accompanying illustration.) The respective net book values of the pole (Account 364) the lines (Accounts 365, 369) and other equipment located in the right-of-way (such as Account 368 line transformers and Account 373 street light) are immaterial to the use of the right-of-way: the poles still occupy at most 2' of each 100' of easement. On average nationwide, one finds an average distribution span length of 130'-150' (35-40 poles per mile). As shown in affidavit, Respondent's plant exceeds this average. See Declaration of Grider at ¶ 5. Assuming a far more

generous figure of 100', Respondent's right-of-way costs can be attributed to poles only in the ratio of 2'/100', or .02($1,395,724) = $27,915. This additional "pole" investment translates into a rate increase of $0.01, as shown in the attachment. We have no objection to this additional compensation.

B. Maintenance

7. Complainants employed the Commission's precedent and rule that maintenance expense was to be calculated by dividing Account 593 by the sum of Accounts 364, 365 and 369. 2 F.C.C.Rcd. at 4402.

8. Respondent claims that this formulation omits "actual maintenance expense incurred because of the presence of TCA cable," booked in Accounts 580, 583, 588 and 590. Respondent submits no evidence to support this assertion.

9. Account 593 is the FERC account designated for "the cost of labor, materials used and the expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is included in Account 364, Poles, Towers and Fixtures, Account 365, Overhead Conductors and Devices, and Account 369, Services." 18 C.F.R. Part 101 § 593. It relates expenses directly related to the pole at issues. By contrast, the additional accounts designated by Respondent are:

10. Account 580, recording "the cost of labor and expenses incurred in the general supervision and direction of the operation of the distribution system." 18 C.F.R. Part 101.580. This is an operations account, not a maintenance account, and there is no evidence indicating any proportionate expenses related to pole maintenance.

11. Account 583, recording overhead line expenses. 18 C.F.R. Part 101.583. This is also an operations account, not a maintenance account. Respondent rents poles, not aerial lines to Complainants.

12. Account 588, miscellaneous distribution expenses. 18 C.F.R. Part 101.588. This is also an operations account, not a maintenance account. This account is designed to include some pole related work but any directly assignable to poles is booked in Account 593. Account 588 also includes everything from ground resistance records to distribution system voltage to load records, and Respondent has submitted no evidence justifying allocation of these expenses to poles.

13. Account 590, recording "the cost of labor and expenses incurred in the general supervision and direction of maintenance of the distribution system. 18 C.F.R. Part 101.590. Respondent has submitted no evidence justifying allocation of these expenses to poles.

14. Past Commission precedent would reject these accounts.

> We have had several prior occasions to consider whether Account 583 should be included in the calculation of maintenance expense. We have concluded in each instance that such account has a minimal relation, if any, to pole attachments and was thus properly excluded from the calculation. See Trenton Cable TV, Inc. v. Missouri Public Service Company, Mimeo No. 2152, released February 12, 1982, at paras. 10-11; Liberty TV Cable, Inc. v. Gulf States Utilities Company, Mimeo No. 000765, released May 8, 1981, at para. 10; Multi-Channel TV Cable Company of Mansfield, Inc. v. Virginia Electric and Power Company, Mimeo No. 1740, released January 12, 1983, at para. 11. Moreover, we note that despite Tampa's assertion to the contrary, the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for public utilities and licensees, 18 C.F.R. Part 101, lists Account 583 as an operations account, and defines it to include "the cost of labor, materials used and expenses incurred in the operation of overhead . . . lines." (emphasis added) We therefore affirm our calculation of the maintenance expense component of the annual carrying charges which excluded Account 583.

Teleprompter Corp. v. Tampa Electric Co., 50 R.R.2d 969 (1981), recon. denied, PA-81-0041, Mimeo 6683 (Sep. 26, 1983) (Account 583); Accord, Teleprompter Corp. v. Florida Power & Light Co., PA-81-0017, FCC 83-562, Mimeo 34089 at ¶ 14 (Dec. 5, 1983) (Accounts 588, 589, 590). Teleprompter Corp. v. Alabama Power Co., PA-81-0014, Mimeo 001808 at ¶ 15 (June 29, 1981) (Account 590), aff'd, Mimeo 33976 at ¶ 7 (Nov. 3, 1983); Warner Amex Cable Communications, Inc. v. Florida Power & Light Co., PA-82-0016, Mimeo 4414 at ¶ 12 (June 8, 1982) (Accounts 588,590) aff'd., Mimeo 34089 (Dec. 5, 1983); Teleprompter Corp. v. Florida Power &

Light Co., PA-81-0017, Mimeo 2095 at ¶ 8 (July 14, 1981) (Accounts 588, 598), aff'd., 54 R.R.2d 1391 (1983); Continental Cablevision of New Hampshire, Inc. v. Public Service Co. of New Hampshire, PA-81-0046, Mimeo 3249 at ¶ 11 n.8 (Apr. 9, 1982) (Accounts 588, 589, 590); Panhandle TV and Cable Company Inc. v. Potomac Edison Co., PA-83-0019, Mimeo 5979 at ¶ 11 (Aug. 15, 1984); Texas Cablevision Co., v. Southwestern Electric Power Co., PA-84-0007, Mimeo 2747 at ¶ 10 (Feb. 26, 1985) (Account 590); Continental Cablevision of New Hampshire, Inc., v. Concord Electric Co., PA-82-0074, Mimeo 5536 at ¶ 13 (July 3, 1985) (Account 583); Liberty TV Cable, Inc. v. Gulf States Utilities Co., 49 R.R.2d 843 (1981). Warner Amex Cable Communications, Inc. v. Southwestern Electric Power Co., PA-82-0017, Mimeo 2718 at ¶ 8 (Mar. 12, 1982), rev. denied, FCC 84-655 (Jan. 7, 1985) (Account 590).

15. Respondent would also reduce Account 369 in the maintenance denominator to exclude underground plant. Complainants recognized that there is a slight mismatch between the numerator and denominator of the calculation employed in ¶ 7, but the Commission has adhered to this method to avoid reliance on nonverifiable internal records and to avoid unnecessary complexity.

16. For example, in a recent decision, the Commission rejected the allocation of Account 369 into an aerial component:

We agree with APL that use of Subaccount 369.1, which includes expenses only for overhead services, would be more accurate here than one which includes expenses for both overhead and underground services. however, overhead expenses are not reported in a separate account in FERC Form 1, and to provide the kind of detail necessary to support allocation of the accounts used to compute the components of the carrying charges would undly complicate and unnecessarily delay the process of determining the maximum lawful rate.[3] This would contravene the statutory mandate in favor of a simple and expeditious process rather than a full-blown rate case. See S. Rep. No. 95-580, 95th Cong., 1st Sess. (1977). Therefore, we reject APL's methodology and accept the formula used by Warner Amex.

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[3]The Commission's methodology is predicated on a simple procedure by which all of the parties can predict the FCC-determined maximum just and reasonable rate, without a formal complaint in most instances, by applying the data from publicly available records (the FCC Form M or the FERC Form 1) to the Commission's formula. It relies on balancing. Thus, while small portions of some accounts which admittedly relate to cable attachments (such as loading factors) are omitted, other entire accounts which contain non-cable-related expenses are included. Liberty TV Cable Inc. v. Southwestern Bell Telephone Co., Mimeo No. 6625, released September 22, 1983.

17. The basis for these decisions remains sound. The Commission has previously recognized that there is a slight mismatch between Account 593 and Accounts 364, 365 and 369, because Account 369 includes underground as well as aerial investment. But the present formulation is the best approximation of pole maintenance expense which is available,

given the limitations of law and reporting formats. Congress anticipated "simple and expeditious" formulation, and Respondent does not separately report its Account 369 (aerial) investment. Following Respondent's invitation would not cure the "mismatch" it has identified. If one adds Account 583, for example, as Respondent has, one includes in the numerator overhead line expenses attributable to investment Account 365, when the calculation is supposed to reflect pole maintenance. One can continue the process of adding "matching" accounts to numerator and denominator, and probably never reach perfection. If, for purposes of this case, one compares total distribution and maintenance (Account 590-98) with total distribution investment (Account 360-373), the resulting maintenance charge is 2.99%

1.	Distribution Maintenance Expense	6,513,918
2.	Gross Investment in Account 360-373	390,318,786
3.	Accumulated Depreciation for Distribution Plant	130,370,332
4.	Accumulated Deferred Income Taxes	210,345,963
5.	Gross Investment in Electric Plant	1,947,101,352
6.	Accumulated Deferred Taxes in Account 360-373 (Line 2 * Line 4/Line 5)	42,166,259
7.	Line 1/(Line 2 * Line 3 - Line 6)	2.99%

18. The maintenance carrying charge computed in the Complaint is 3.49%. This more than compensates for any "mismatch." This also represents the "best estimate" of

debatable carrying costs, as contemplated by Congress. As the legislative history put it:

> [T]here may be some difficulty in determining the components of "actual" capital costs. As to some of these factors, the Committee expects that the Commission will have to make its best estimate of some of the less readily identifiable actual capital costs.

S. Rep. No. 95-580, 95th Cong. 1st Sess. at 20.

C. Useable Space -- 1'

19. Complainants used the useable space ratio of 1/13.5.

20. Respondent accepts the figure of 13.5 feet of useable space, but challenges the allocation of 1' to cable television. Respondent contends that the underlying factual premise for this allocation has changed, and that 42" (rather than 12") should be allocated to cable.

21. The 1' allocation was adopted in CC Docket 78-144 as a "conscientious exercise of discretion, and was a reasonable interpretation of the Act." Monongahela Power Co. v. FCC, 655 F.2d 1254, 1256 (D.C. Cir. 1981). It was affirmed by the D.C. Circuit.

22. Thereafter, Congress eliminated the "interim nature" of the formula by deleting the five-year expiration date. See Communications Amendments Act of 1982, Pub. L. 97-259 §106,

96 Stat. 1087, 1091. The Conference Report explaining the deletion noted that Section 224 had "brought considerable certainty regarding the price of access to utility poles" and had reduced the number of pole attachment complaints. It stated that the Commission had applied a "formula which deals with all parties concerned." Moreover, the Conferees noted that one of the reasons why the sunset provision had been included in the Act -- uncertainty as to whether the methodology would work -- had been removed. The Conferees now had "evidence indicating the effectiveness of this provision . . . ." Finally, the Conferees feared that if the statutory formula were permitted to expire "it would increase the likelihood that parties would petition to alter the formula by rulemaking, with resulting increased burden on the Commission and uncertainty in the industry until such issues were resolved." See H.R. Rep. No. 97-765, 97th Cong. 2nd Sess. 31 (1982).

23. The allocation was thereafter reaffirmed by the Commission in Petition to Adopt Rules Concerning Useable Space, RM 4558, 56 R.R.2d 707, 710 (1984). As the Commission explained:

> In adopting the rules, our reasons for assigning CATV one foot of space included: 1) our interpretation of the ligislative history of Section 224 (that Congress intended CATV to be assigned only one foot of space); 2) the electric utilities' profitable use of the safety space (e.g., street lights); and 3) the "risk of replacement" cost (that is, payment for a new pole if a taller pole is needed because of additional telehone or electric lines) that utilities

> impose on CATV companies. Our "several years of experience" in regulating pole attachments has not indicated that cable now occupies more space than it did when Congress was considering Section 224. Nor has it altered the fact, conceded by petitioners, that some utilities make resourceful use of the safety space and some impose responsibility on CATV operators for replacement costs. Petitioners have not persuaded us that circumstances have changed concerning Congress' finding regarding space occupied by CATV, the utilities' use of safety space, or the risk of replacement costs.

24. The basis for that decision remains sound. First, Congress clearly anticipated the assignment of one foot of space to cable. The testimony and diagrams presented to Congress show that the 1' is intended to accommodate the attachment of the main CATV distribution line. _See_, _e.g._, Communications Act Amendments of 1977: Hearings on S. 1547 Before the Subcomm. on Communications of the Senate Comm. or Commerce, Science and Transportation, 95th Cong. 1st Sess. at 32, 39, 44-49 (1977). S. Rep. 95-980, 95th Cong. 1st Sess. 21 (1977). Nothing has changed in the legislative history. Respondent's revision would increase its pole attachment rate to \$8.41, or twice the national average. Local pole skirmishes continue despite 1978 law, _Cable World_, Sep. 4, 1989, p.1 (National rates average \$3 - \$5) This is a clear indication that Respondent's version is inconsistent with Congressional intent.

25. Second, Respondent has admitted that it makes profitable use of the separation space between communications and

power lines. Response at Reed Affidavit, ¶ 2. It claims that recent changes in the National Electrical Safety Code increase the burden on Respondent in a manner attributable to Complainants are incorrect. As detailed in affidavit, Respondent is incorrect.

26. Greater pole height would be required for Respondent's facilities regardless of Complainants' presence, because more pole height is needed to meet minimum ground clearance and to "rack" power lines of various voltages. The change in the 1990 NESC has been misunderstood by Respondent: it could not, in the absence of communications lines, place its facities on 16.5'. As the NESC explains:

> While some clearance values in the new system may <u>appear</u> to be larger and some smaller, the net effective clearances for conductors and cables are, for most of the clearance values, essentially unchanged.

27. Respondent has looked only to the <u>reference</u> component of the NESC, and ignored the mechanical and electrical components. <u>See</u> Declaration of Jenschke.

28. The NESC did change in 1987 to reduce separation between communications and power from 40" to 30", but Respondent has not recognized the change. If there has been NESC change, it <u>increases</u> the space available for Respondent's use. <u>Ibid</u>.

29. Complainants already pay for the neutral space, but in proportion to the amount of useable space it occupies. The allocation is comparable to a standard office lease, where costs of common areas are allocated in proportion to floorspace rented.

30. Thus, nothing has changed in the second basis for Commission allocation of 1'.

31. Third, Complainants remain "at risk" under Respondent's contract to create separation space through makeready and to maintain it if Respondent seeks to rearrange facilities.

32. Respondent adduces no other facts to change the result. Its estimate that Complainants use 2" of pole space by direct contact is incorrect. (Complainants use a 5/8" bolt through a 1½" clamp). Neither exceeds the 1' allocated to cable. Respondent claims that it sets midline poles to accommodate Complainants. But Complainants <u>pay</u> for those poles (approximately $750 each); and <u>then</u> pays rental on them. Contrary to Respondent's statements, these midline poles are too new to have been replaced. <u>See</u> Declaration of Grider.

33. Respondent has sought to reopen an issue long settled by FCC, Congressional, and Court imprimature. It has failed to adduce a factual or policy basis for doing so, even if this case were a proper vehicle for consideration.

D. Jurisdiction/Procedural Issues

34. Respondent contends that the Complaint should be dismissed for failure of service on neighboring state PSC's, where Respondent also does business. The poles at issue are entirely located in Texas.

35. The Commission has previously rejected an identical claim by SPS's neighbor SWEPCO, holding that service is not required on the public service commissions in neighboring states. Warner Amex Cable Communications, Inc. v. Southwestern Electric Power Co., PA-82-0017, Mimeo 2718 at ¶ 1, n.1 (Mar. 12, 1982), rev. denied, FCC 84-655 (Jan. 7, 1985) ("While these two PSC's [in LA and TX] regulate Southwestern, we conclude that they are not such interested parties to a controversy involving a CATV pole attachment dispute in Arkansas so that failure to serve them would warrant dismissal of the complaint.")

36. Respondent raises, but does not elucidate, a claim that not all information has been presented in complaint. All information necessary to decision has been presented. If there was any deficiency in the complaint, we are unaware of it, and Respondent has failed to file a proper motion.

37. Respondent raises, but does not elucidate, a claim that Complainants is the only communications user on its poles. This is not correct. See Declaration of Grider (photo showing telephone on the pole.)

38. Respondent raises, but does not elucidate, the claim that the number of poles in issue is in dispute. We do not know the basis for dispute. If this is so, it is immaterial to resolution of the case, as the standard relief granted leaves exact pole counts for refunds left to the parties.

39. The Respondent raises, but does not elucidate, the claim that the contract is arm's length. As a matter of legislative fact, pole contracts are adhesion contracts. S. Rep. No. 95-580, 95th Cong., 1st Sess. 13 (1977) (FCC's office of Plans and Policies concludes that "public utilities by virtue of their size and exclusive control over access to pole lines, are unquestionably in a position to extract monopoly rents from cable TV systems in the form of unreasonably high pole attachment rates."); 123 Cong. Rec. H 11447 (daily ed, Oct. 25, 1977) ("Unless the cable operator can attach his wires to the poles, he may not be able to operate." Communications Act Amendments of 1977: Hearings on S. 1547 before the Subcomm. on Communications of the Senate Comm. on Commerce, Science and Transportation, 95th Cong., 1st Sess. 183 (1977) (American Electric Power explains "there was consultation and negotiation but the figure [we] proposed was the figure accepted.") _Ibid_. at 33, 40 (unilateral rate increases). As a matter of adjudicatory fact, Respondent refused to negotiate the pole rate in issue. _See_ Affidavit of Hensly. Even if Respondent is correct, the right to petition the FCC for relief may not be waived, as the Commission has previously held in an SPS case.

> SPS argued that the Commission should decline jurisdiction to resolve the complaint, contending that the rate complained of was the product of negotiations between complainant and respondent. . . . [T]he only jurisdictional requirement [a complianant] must establish are that a state is not regulating the pole attachments involved and that the utility falls within the statutory definition of a utility under Section 224 of the Act.

Capital Cities Cable, Inc. v. Southwestern Pub. Serv. Co., PA 85-0005, Mimeo 6957 at ¶¶ 2-3 (Sep. 13, 1985), aff'g, Mimeo 5431 (June 28, 1985). The Commission has consistently held that Section 224 is not waivable.

> Congress recognized the unequal bargaining position of the parties in enacting Section 224 of the Communications Act. 47 U.S.C. § 224. To hold that a cable company which has accepted the contract terms has waived its rights and is estopped from seeking a remedy under the Act would clearly be inconsistent with the congressional intent underlying Section 224.

Gulfstream Cablevision of Pinellas County, Inc. v. Florida Power Corp. PA 84-0016, Mimeo 35810 at ¶ 4 (May 17, 1985); TeleCable Development Corp. v. Appalachian Power Co., 48 R.R.2d 684, PA 79-0007, Mimeo 889 n. 2 (rel. Oct. 31, 1980).

40. Respondent also seeks an evidentiary hearing. The Commission has specifically drafted its pole attachment procedures so that "typically we would expect that these complaints can be resolved on the basis of the filings," with evidentiary hearings reserved for "very exceptional cases where

other simpler procedures would not be appropriate." Notice of Proposed Rulemaking in CC Docket 78-144, 68 F.C.C.2d 3, 7 (1978); First Report & Order in CC Docket 78-144, 68 F.C.C.2d 1585, 1600 (1978). Respondent has not demonstrated that this case is very exceptional or that an evidentiary hearing will promote the Congress' purpose. In the only decisions known to Complainants which are on point, the Commission specifically rejected power companies' requests for hearing to eliminate supposedly unclear issies arising in a pole attachment proceeding.

> Furthermore, we do not believe this case warrants the extraordinary step of designating it for an evidentiary hearing. Such measures are reserved for cases where the issues cannot be resolved from the pleadings. Notice of Proposed Rulemaking in CC Docket No. 78-144, 68 FCC 2d 3, 7 (1978); First Report and Order in CC Docket No. 78-144, 68 FCC 2d 1585, 1600 (1978). The issues in dispute here lend themselves to resolution within the framework of the complaint process and therefore a hearing or informal meeting is not warranted and would only unnecessarily delay resolution of this dispute as well as be an inefficient use of Commission resources. See Teleprompter Corp. v. Alabama Power Co., Mimeo No. 001802, released June 26, 1981; Warner-Amex Cable Communications, Inc., supra, where the Bureau rejected other requests for hearings; Group W Cable Inc. v. Interstate Power Co., PA 80-0070, Mimeo No. 3118 (March 27, 1984, rev. denied, FCC 84-439, Mimeo No. 35089 (Sep. 20, 1984).

Due process does not require an evidentiary hearing. Mathews v. Eldridge, 424 U.S. 319 (1976).

CONCLUSION

For the foregoing reasons, the Complaint should be granted, with the rate adjusted to $2.10 as shown in Exhibit A.

Respectfully submitted,

TCA MANAGEMENT CO.
TELESERVICE CORPORATION OF AMERICA
TCA CABLE OF AMARILLO, INC.

By ______________________
Paul Glist

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Their Attorney

Dated: December 21, 1990

EXHIBIT A

SOUTHWESTERN PUBLIC SERVICE COMPANY

SUMMARY SHEET

Net Cost of Bare Pole		(Sch. 1)		$93.59
Net cost of Right of Way		(Sch. 1A)		$ 0.12
Carrying Charges:				
Maintenance	3.49%	(Sch. 2)		
Depreciation	5.10%	(Sch. 3)		
Administration	3.08%	(Sch. 4)		
Taxes	6.90%	(Sch. 5)		
Capital	11.70%	(Sch. 6)		
	30.27%		x	30.27%
Use Ratio	1/13.5		x	7.41%
				$ 2.10
Sources		(Sch. 7)		

Southwestern Public Service Company   Year End 1989

Schedule 1

$$\text{Net Cost of a Bare Pole} = \frac{\text{A/C 364 Gross Pole Investment} - \text{Depreciation Reserve (Poles)(1)} - \text{Accumulated Deferred Income Taxes (Poles)(2)} - \text{.15 of Net Pole Investment (3)}}{\text{Number of Poles}}$$

A/C 364 Gross Investment =	77,944,347
Gross Distribution Investment =	390,318,780
% A/C 364 to Distribution = R1 =	19.969%
Depreciation Reserve Distribution =	130,370,332
(1) R1 x Depreciation Reserve Distribution =	26,034,183

A/C 364 Gross Investment	77,944,347
Plant Investment	1,947,101,352
% A/C 364 to Gross Plant = R2 =	4.003%
Accumulated Deferred Taxes =	210,345,963
(2) R2 x Accumulated Deferred Taxes =	8,420,352

(3) For purposes of these calculations Net Pole Investment equals Gross Pole Investment minus the Depreciation Reserve Related to Poles minus Accumulated Deferred Income Taxes Related to Poles.

$$\frac{.85\ (77{,}944{,}347 - 26{,}034{,}183 - 8{,}420{,}352)}{394{,}962} = \$93.59$$

Southwestern Public Service Company   Year End 1989

Schedule 1A

$$\text{Net Cost of Right of Way Per Pole} = \frac{\text{A/C 360 Land and Land Rights} \times \text{Allocation Factor (6)}}{\text{Number of Poles}}$$

A/C 360 Gross Investment =	2,326,207
Pole Rights per Span =	2'
Aerial Rights per Span =	100'
Allocation = R5 =	.02
(6) R5 x Gross Investment =	46,524
Number of Poles =	394,962

$$\$0.12 = \frac{46{,}524}{394{,}962}$$

Southwestern Public Service Company   Year End 1989

Schedule 2

$$\text{Maintenance Expense} = \frac{\text{A/C593}}{\begin{array}{l}\text{Investment in A/Cs 364 + 365 + 369} - \text{Depreciation in A/Cs 364 + 365 + 369 (4)} \\ - \text{Accumulated Deferred Income Taxes Related to A/Cs 364 + 365 + 369 (5)}\end{array}}$$

A/C 364 Gross Investment =	77,944,347
A/C 365 Gross Investment =	68,017,827
A/C 369 Gross Investment =	26,900,328
A/C 364 + 365 + 369	172,862,502
Gross Distribution Investment =	390,318,780
% A/C 364 + 365 + 369 to Distribution = R3	44.288%
Depreciation Reserve Distribution	130,370,332
(4) R3 x Depreciation Reserve Distribution	57,737,785

A/C 364 + 365 + 369	172,862,502
Gross Plant Investment	1,947,101,352
% A/C 364 + 365 + 369 to Gross Plant = R4	8.878%
Accumulated Deferred Taxes	210,345,963
(5) R4 x Accumulated Deferred Taxes	18,674,390

$$3.49\% = \frac{3{,}364{,}304}{172{,}862{,}502 - 57{,}737{,}785 - 18{,}674{,}390}$$

Southwestern Public Service Company   Year End 1989

Schedule 3

$$\text{Depreciation Expense} = \text{Depreciation Rate for Gross Pole Investment} \times \frac{\text{Gross Pole Investment}}{\text{Net Pole Investment (3)}}$$

$$5.10\% = 2.846 \times \frac{77{,}944{,}347}{(79{,}944{,}347 - 26{,}034{,}183 - 8{,}420{,}352)}$$